

# Deficiency appropriations for Bureau of War Risk Insurance ...

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Congress. House.  
Appropriations









84. Ap 6' = W 19

DEFICIENCY APPROPRIATIONS FOR BUREAU OF WAR RISK INSUR-  
ANCE AND PAYMENT OF PENSIONS, 1919

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HEARING

BEFORE

SUBCOMMITTEE OF HOUSE COMMITTEE  
ON APPROPRIATIONS

CONSISTING OF

MESSRS. JAMES W. GOOD (CHAIRMAN), JOSEPH G. CANNON,  
C. BASCOM SLEMP, JAMES F. BYRNES (S. C.),  
AND JOHN M. EVANS

IN CHARGE OF

DEFICIENCY APPROPRIATIONS FOR THE FISCAL  
YEAR 1919 AND PRIOR FISCAL YEARS

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ATTORNEYS FOR BUREAU OF WAR RISK INSURANCE  
PAYMENT OF PENSIONS 1919

HEARING

OF THE HOUSE OF REPRESENTATIVES

COMMITTEE ON PENSIONS

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## DEFICIENCY APPROPRIATIONS FOR BUREAU OF WAR RISK INSURANCE AND PAYMENT OF PENSIONS, 1919.

HEARINGS CONDUCTED BY THE SUBCOMMITTEE, MESSRS. JAMES W. GOOD, JOSEPH G. CANNON, C. BASCOM SLEMP, JAMES F. BYRNES (S. C.), AND JOHN M. EVANS, OF THE COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES, IN CHARGE OF DEFICIENCIES FOR THE FISCAL YEAR 1919 AND PRIOR FISCAL YEARS.

THURSDAY, *May 22, 1919.*

### BUREAU OF WAR RISK INSURANCE.

STATEMENTS OF MR. JOUETT SHOUSE, ASSISTANT SECRETARY OF THE TREASURY; LIEUT. COL. R. G. CHOLMONDELEY-JONES, DIRECTOR; MR. WILLIAM MACFARLANE, ACTUARY; AND MR. W. C. FLETCHER, CHIEF ACCOUNTING DIVISION.

The CHAIRMAN. The estimates for the last deficiency bill carried an item as follows:

#### SALARIES AND EXPENSES—NATIONAL SECURITY AND DEFENSE FUND.

For salaries of officers and employees, \$3,500,000; stationery and minor office supplies, \$100,000; printing and binding, \$100,000; traveling expenses, \$20,000; for expenses incident to the payment of life insurance premiums, \$500,000; in all, \$4,220,000.

Since that time have you had any allotments from the President's fund?

Mr. MACFARLANE. Yes, sir; we had an allotment of \$2,868,000.

The CHAIRMAN. What was that allotment made for?

Mr. MACFARLANE. For salaries and expenses. It was just given in one lump sum.

The CHAIRMAN. Have you apportioned it?

Mr. MACFARLANE. We have apportioned it as follows: Salaries and wages, \$2,544,386.03; stationery and miscellaneous, \$200,000; printing and binding, \$100,000; rentals, \$8,613.97; traveling expenses, \$15,000; making a total of \$2,868,000.

The CHAIRMAN. Is that allotment sufficient to pay the salaries of officers and employees for the balance of this fiscal year?

Mr. MACFARLANE. No, sir; our total appropriations are practically exhausted. We need in addition—

The CHAIRMAN (interposing). I know your appropriations are entirely exhausted, but how about the allowance out of the President's fund, is that exhausted also?

Mr. MACFARLANE. Practically exhausted. We have practically no money to pay the pay roll on the 1st of June.

The CHAIRMAN. How much will you need for your pay roll until the 30th of June?

Mr. MACFARLANE. We will need \$2,025,613.97.

The CHAIRMAN. Is that approximately the monthly pay roll as you are now organized?

Mr. MACFARLANE. That is approximately the monthly pay roll as we are now organized, but we have held up a great many appointments that we want to put on. It covers the pay roll for a month and a half to the 1st of July, as I understand it.

The CHAIRMAN. Do you pay your employees monthly?

Mr. MACFARLANE. Semimonthly; every two weeks.

The CHAIRMAN. Then, you mean to say that you will need money to pay your employees for the last half of May and for all of June?

Mr. MACFARLANE. Yes, sir.

The CHAIRMAN. The amount which has been heretofore appropriated for this purpose, together with the amount allotted by the President out of his emergency fund, has all been exhausted by the middle of May?

Mr. MACFARLANE. Yes, sir; not all, but practically all.

The CHAIRMAN. How much will you have left?

Mr. MACFARLANE. In the total appropriations, and including all salaries and expenses, we have a cash balance as of the 15th of May unincumbered and available of \$742,567.76. That is to cover all expenses, including salaries, furniture, stationery, and everything.

The CHAIRMAN. How much of that applies to salaries and expenses?

Mr. MACFARLANE. The balance for salaries is about \$240,000. That balance is caused by the fact that we had an abnormal number of resignations which we have not put back on the rolls because we wanted to see what action would be taken on these appropriations. If we are provided with the funds, we contemplate immediately putting on people at night in the accounting division and a number of people in the insurance division.

The CHAIRMAN. What do you feel you will need for salaries of officers and employees and for printing and binding and for traveling expenses and for expenses incident to the payment of life-insurance premiums for the balance of this fiscal year?

Mr. MACFARLANE. We estimate we will need \$2,435,500. That is made up of items of \$2,025,613.97 to cover salaries, \$100,000 to cover stationery and miscellaneous, \$195,000 to cover furniture, equipment, and supplies, \$100,000 to cover printing and binding, \$3,886.03 to cover rents, \$5,000 to cover traveling expenses, and \$6,000 to cover painting and repair and replacement of equipment, depreciated or damaged by occupancy of the Bureau of War Risk Insurance in the New National Museum.

The CHAIRMAN. Then if the deficiency bill which failed in the last Congress had passed, which carried the actual amount esti-

ated by the bureau, you still would have had a deficiency for the year of approximately \$1,100,000.

Mr. MACFARLANE. Yes, sir; that is correct.

The CHAIRMAN. Are you not able to guess a little nearer than that with regard to deficiencies?

Mr. MACFARLANE. Well, as a matter of fact, this bureau fluctuates from day to day. At one time you think things will go all right and then discharge notices will come in freely and then they do not and we are flooded with letters or flooded with discharge notices or we have a number of premium notices to send out.

The CHAIRMAN. But this was a deficiency estimate which was put in in February and the hearings were held in the latter part of February and yet your estimates made at that time and the statements made at that time by the bureau fall short by about 25 per cent of the actual need of the department.

Mr. MACFARLANE. These estimates were made out on the 20th of January of this year.

The CHAIRMAN. But the hearing was held on the estimate the latter part of February.

Mr. MACFARLANE. Yes, sir; and at that time we said the estimates would not carry the bureau.

#### COMPENSATION FUND.

The CHAIRMAN. At that time you also estimated for a compensation fund of \$5,000,000 and the bill carried \$3,000,000, and according to Document No. 4 transmitted by the Secretary of the Treasury, you are not asking for anything now for compensation.

Mr. MACFARLANE. That estimate of \$5,000,000 was made at the same time that the Public Health Service act of March 3 was under consideration. If that act had not passed, the Bureau of War Risk Insurance would have had to pay a great many expenses now being borne by the Public Health Service.

The CHAIRMAN. And the work that was anticipated at that time to be performed by the Bureau of War Risk Insurance has been taken over by the Public Health Service and you are not now asking anything for compensation?

Mr. MACFARLANE. That is correct.

The CHAIRMAN. What is the state of your balances under this item of compensation?

Mr. MACFARLANE. The balance available, as of May 17, is \$3,013,-688.13.

The CHAIRMAN. If the work has all been taken over by the Public Health Service, then you have no use for that fund?

Mr. MACFARLANE. Yes, sir. That appropriation was to cover the renting of hospitals or the leasing of hospitals, and that is now provided for in the Public Health Service act, but we still have our obligations under the war-risk insurance act. This \$3,000,000, as a matter of fact, will go to pay awards; that is, the amounts payable for disabilities and for death. For the fiscal year 1920 we are asking an appropriation of something like \$71,000,000.

The CHAIRMAN. Then you will need this balance for that purpose?

Mr. MACFARLANE. Oh, yes, sir.

## PAYMENT OF LIFE INSURANCE PREMIUMS.

The CHAIRMAN. In your former estimate you carried \$500,000 for expenses incident to the payment of life insurance premiums. You are not now estimating anything for that purpose?

Mr. MACFARLANE. That program, which we had hoped to put in operation, has not yet been finally acted on, and that appropriation has been transferred, or the estimate for it, into the 1920 appropriation, where we ask for \$1,800,000, assuming the program will be put into operation by the 1st of July. That program calls for accounting machines and mechanical devices which are just being made.

The CHAIRMAN. And it is not anticipated now to make any expenditures in behalf of that service, until after July 1st?

Mr. MACFARLANE. That is correct, sir.

## NUMBER OF EMPLOYEES—STATUS OF WORK.

The CHAIRMAN. What is the situation with regard to the number of employees at present in the bureau as compared with the number at the time you appeared before the committee before?

Mr. MACFARLANE. The number of employees on May 15 was 13,382. The number of employees on February 1 was 12,235 on the regular roll, and we had 4,419 on the contract roll. In view of the fact that we had not funds, about 3,000 of those employees were let out and over 1,000 regular employees have resigned, but we are undermanned as far as our proper needs are concerned.

The CHAIRMAN. Are you contemplating adding an additional force?

Mr. MACFARLANE. Yes, sir.

The CHAIRMAN. It was generally supposed that this work was at its peak about the time of the signing of the armistice.

Mr. MACFARLANE. Well, one would suppose it should be, but there are all these adjustments to make. We have 1,000,000 accounts to adjust, and every soldier who comes back wants a statement of his account. We are getting now allotment and allowance blanks from France and blanks dug up from all quarters, and we have to readjust all those accounts. We have all these insurance policies, and we have got to send a notice of premiums and make up a new record and send monthly notices, whereas all that was previously done through the Army. We have to do that work now.

The CHAIRMAN. How much of an additional force do you propose to employ if this deficiency is granted?

Mr. MACFARLANE. In some divisions they want 1,000 new employees.

The CHAIRMAN. I am talking about the bureau as a whole.

Mr. MACFARLANE. I should say about 1,500 people.

The CHAIRMAN. How many have you employed now?

Mr. MACFARLANE. The regular number of employees on the regular roll on May 15 was 12,279, and we have contract employees amounting to 1,103, making a total of 13,382.

The CHAIRMAN. You propose, then, an increase of over 10 per cent?

Mr. CANNON. What do you mean by contract employees?

Mr. MACFARLANE. Contract employees are people employed by the hour or who are on a piece basis; for instance, a typist may get a cent for each card, or 50 cents an hour, and they may work three hours each night.

The CHAIRMAN. Will you place in the record a table showing the number of employees in each division or subdivision and the number that you propose for each division or subdivision of the Bureau?

Mr. MACFARLANE. Yes, sir.

Mr. SNOUSE. May I be permitted to interrupt a moment there? We have pending now in the Secretary's Office recommendation for the employment of quite a large number of people. It would be very difficult for me to state the exact number. I have held that up, did not approve it to the Secretary, and advised him not to approve it until we saw what you gentlemen wanted to do about the situation. So that there are already recommended to the Secretary of the Treasury for appointment I should say, readily, 600 or 700 people whose appointment is awaiting action by you gentlemen.

We did not want to put ourselves in the situation of anticipating the action of Congress. We did not think it was fair to Congress to attempt to foist upon Congress something they might not want to do.

The CHAIRMAN. Then also insert in the record a list showing the additional employees who have already been recommended or it is proposed to recommend, with their annual rate of salary, and the amount by which this estimate can be reduced if Congress should decide that it was not advisable to increase the employees in the establishment as proposed.

Mr. MACFARLANE. Yes. The following shows the present number of employees and proposed additions before June 30, 1919, and also a list of individual appointments pending in the Treasury Department:

*Number of employees, May 15, 1919, Bureau of War Risk Insurance, by divisions and proposed additions before June 30, 1919.*

	May 15, 1919.	Proposed number in addition.
Director's office.....	278	.....
Actuarial Division.....	386	82
Investigation Division.....	275	.....
Compensation and Claims Division.....	936	9
Accounting Division.....	2,429	300
Legal Division.....	419	1
Allotment and Allowance Division.....	2,121	8
Personnel Division.....	132	1
Administrative Division.....	574	6
Insurance Division.....	3,752	1,217
Medical Division.....	80	3
Receipts and Disbursement Division.....	845	44
Marine and Seamen's Division.....	18	.....
Special detail roll (unassigned).....	34	.....
Total.....	12,279	1,671
Contract employees.....	1,103	.....
Total number of employees.....	13,382	1,671
Total.....	1,671	.....
Total.....	15,053	.....

*Individual appointments pending in Treasury Department.*

ACTUARIAL.		DISBURSING.	
1 clerk .....	\$1,200	2 addressograph mechanics ..	\$1,440
31 clerks .....	1,100	1 clerk .....	1,440
32		24 clerks .....	1,100
		15 typists .....	1,100
		2 proof readers .....	900
ADMINISTRATIVE.		44	
1 chief, messenger section ..	1,800		
1 nurse .....	1,200	INSURANCE.	
1 stenographer .....	1,200	1 special expert .....	3,000
1 typist .....	1,100	2 special experts .....	2,400
4		1 insurance expert .....	2,750
		1 insurance expert .....	2,500
ALLOTMENT AND ALLOWANCE.		2 insurance experts .....	2,400
1 correspondent .....	1,800	4 insurance experts .....	1,800
1 clerk .....	1,320	1 clerk .....	2,000
1 clerk .....	1,200	2 clerks .....	1,800
3 clerks .....	1,100	1 clerk .....	1,600
2 typists .....	1,100	2 clerks .....	1,200
8		42 clerks .....	1,100
		3 stenographers .....	1,200
APPOINTMENT.		2 typists .....	1,100
1 typist .....	1,100	1 unskilled laborer .....	780
		2 messengers .....	840
CHIEF CLERK.		67	
2 charwomen .....	312		
COMPENSATION.		LEGAL.	
1 claims examiner .....	1,800	1 special expert .....	3,500
7 clerks .....	1,100		
1 messenger .....	840	MEDICAL.	
9		3 stenographers .....	1,200
		171	

Mr. BYRNES. I would like to ask this question with reference to your salary statement. You state you need in order to pay your salaries from now until July 1st, \$2,025,613.97; is that right?

## SALARIES.

(See p. 5.)

Mr. MACFARLANE. Yes, sir; they are the exact figures.

Mr. BYRNES. When you appeared before the committee on February 22, you stated that your pay roll for regular employees was at the annual rate of \$13,616,352 or at the rate per month of \$1,130,000. At that rate you are paying \$565,000 each pay day, and the amount you now ask for is greatly in excess of the amount you then asked for for salaries. What is the explanation of that?

Mr. MACFARLANE. The pay roll on April 30 covering 12,470 regular employees was at the annual rate of \$14,528,768.

Mr. BYRNES. What would that be per month?

Mr. MACFARLANE. Practically \$1,200,000.

Mr. BYRNES. You stated in February that your pay roll was slightly over \$1,130,000 per month.

Mr. MACFARLANE. Yes, sir.

Mr. BYRNES. And you stated you expected then to get through on that amount. The amount you are now asking is much larger, is it not?

Mr. MACFARLANE. Certain adjustments in salaries have been necessary in order to keep anyone in the bureau.

Mr. BYRNES. Is the explanation in the fact that you referred then to your regular pay roll and your contract employees increased that amount, because here is what I am trying to get at. If that be true and if \$1,200,000 was sufficient for one month, it does not look like you would need \$2,025,000 unless your contract employees furnish the explanation.

Mr. MACFARLANE. That does increase it.

Mr. SHOUSE. What was your May 15 pay roll? \$650,000, outside of the contract employees, was it not?

Mr. MACFARLANE. Yes.

Mr. SHOUSE. Your regular pay roll, as I understand it, is now at the rate of over \$1,300,000?

Mr. MACFARLANE. Yes, sir; the actual pay roll on May 15 was \$651,662.98.

Mr. BYRNES. Then, there is an increase over what the pay roll was in February?

Mr. MACFARLANE. Yes, sir.

Mr. BYRNES. And you anticipate making a still further increase?

Mr. MACFARLANE. Yes, sir.

The CHAIRMAN. You have already had for this service, including the amount received from the President, \$14,039,000, and you are now asking for \$2,435,500 more, which would make an annual expense of \$16,474,500 for the bureau?

Mr. MACFARLANE. Yes, sir.

#### MILITARY AND NAVAL FAMILY ALLOWANCES.

The CHAIRMAN. When this deficiency bill was before the last Congress you made no estimate for a deficiency for the balance of this year on account of military and naval family allowances. I have before me now a letter of the Secretary of the Treasury under date of May 19, Document No. 4, in which he estimates a deficiency for the balance of this year of \$39,615,000 for military and naval family allowances.

Mr. MACFARLANE. Yes, sir; but the sundry civil bill had an estimate of \$90,000,000, and we asked that that appropriation, if granted, be made immediately available. All that has been done now is that instead of asking for \$90,000,000 in one sum we have split the estimate in two parts.

The CHAIRMAN. You asked for \$90,000,000 in the sundry civil bill. If you are on a basis of \$39,000,000 for the balance of this fiscal year, it must be apparent that \$90,000,000 would not have paid the deficiencies for this year, amounting to almost \$40,000,000, and also have paid the family allowances for all of 1920.

Mr. MACFARLANE. Including this estimate of \$39,000,000 for this year and the estimate for 1920, the total comes to \$102,000,000. Now that \$102,000,000 includes another month. It includes the month of July, 1920, which we had not estimated before. It also is increased over the \$90,000,000 by the fact we have received a great many applications that were never in the hands of the bureau. They are just turning up and they frequently mean a whole year's payments.

The CHAIRMAN. You have had all told \$211,000,000 for this service?

Mr. MACFARLANE. Yes, sir.

The CHAIRMAN. How much have you expended of that amount?

Mr. MACFARLANE. The actual balance on May 1, 1919, was \$1,062,462.96.

The CHAIRMAN. Had all obligations which had been properly received and audited up to that date been paid?

Mr. MACFARLANE. The checks for the month of May; that is, the allowances for the month of May on account of the allotments deducted from the pay of the soldiers in the month of April have not gone out. They are held up waiting this appropriation.

The CHAIRMAN. That is, the allowances that are due for the month of April and payable on the 1st of May have not been paid?

Mr. MACFARLANE. No, sir.

The CHAIRMAN. What do they amount to?

Mr. MACFARLANE. The actual estimate of that amount is \$13,170,000.

The CHAIRMAN. So you actually need \$12,000,000 immediately in order to permit you to send out these checks which should have been sent out on the 1st of May.

Mr. MACFARLANE. Yes, sir.

The CHAIRMAN. How about the checks that should be sent out on the 1st of June for allowances for the month of May?

Mr. MACFARLANE. The estimates show that we will need \$11,505,000.

The CHAIRMAN. That is how much all told?

Mr. SHOUSE. \$24,675,000.

May I inject right here that the disbursements that will be made in July under this account covering the allowances for the month of June are an expense of this fiscal year and for that reason the total is made \$34,290,000 to cover the three months.

The CHAIRMAN. I have not gotten to the month of June yet.

Mr. MACFARLANE. There are two other items there that go into the total.

The CHAIRMAN. What will the allowances for the month of June, payable on the 1st of July, amount to?

Mr. MACFARLANE. \$9,615,000, and in view of the fact that we are getting back applications, we have asked for two separate amounts, one of \$1,950,000 to cover these back payments of large amounts, and the other of \$3,375,000 to cover the class B cases which come under the Treadway Act.

The CHAIRMAN. That makes a total of \$39,615,000.

Mr. MACFARLANE. Yes, sir.

The CHAIRMAN. And that is an actual deficiency?

Mr. MACFARLANE. That is an actual deficiency to the 1st of July.

The CHAIRMAN. I assume that inquiries are coming in by the hundreds of thousands with regard to why these family allowances which should have been paid on the 1st of May have not been sent out.



Mr. MACFARLANE. Yes, sir.

The CHAIRMAN. To what extent are clerks employed to answer inquiries of that kind?

Mr. SHOUSE. Mr. Chairman, I would like for you to allow Mr. Fletcher to make a statement relative to that, because it is under his department.

Mr. FLETCHER. We have practically all of the clerks in the division working on it part of the time, between 2,500 and 2,600 clerks. There are 170 reading the mail as it comes in and there are 210 answering the letters.

The CHAIRMAN. Can you tell the committee why it is that this matter was not presented to Congress before, so that we could see the emergency and the necessity of passing an appropriation bill to grant this relief? No one suggested to Congress before we adjourned that this condition would confront us if the sundry civil bill should fail. The hearings are silent upon it, and yet here are family allowances that will have to be paid before the 1st of July or there will be distress in a great many homes, and your bureau will be practically disorganized because of its lack of funds and its inability to function.

Mr. MACFARLANE. My recollection is that when the \$90,000,000 was asked for, we asked that it be made immediately available and stated there would be a deficiency if this estimate was cut. I do not know that any direct statement was made in the last days of Congress that if the sundry civil bill did not pass we would be without funds, but my recollection is that in the hearings on the sundry civil bill we asked for \$90,000,000 and asked that it be made immediately available, and we did not put a deficiency estimate in for allowances because of that fact.

The CHAIRMAN. Can you give the committee an idea as to the number of beneficiaries whose payments have been held up because of a lack of funds?

Mr. MACFARLANE. The number of active cases?

The CHAIRMAN. Yes.

Mr. FLETCHER. The number of active cases for the current month will run to 725,000; that is the number of checks that should have gone out in May for the April payment.

The CHAIRMAN. That is, there are 725,000 persons who should have had checks on the 1st of May who have not received them because of a lack of funds?

Mr. FLETCHER. Yes, sir.

The CHAIRMAN. And unless an appropriation is granted, how many persons will there be on the 1st of June who will not receive their checks?

Mr. FLETCHER. If you will permit me to say further, for the month of April we had to hold up some of the final settlements also, but I can not give you the exact figures.

The CHAIRMAN. Will you put in the record the exact figures as to the number of cases involved?

Mr. FLETCHER. Yes, sir. The number involved is 61,972. For the month of May, payable the 1st of June, approximately 625,000 would be held up.

The CHAIRMAN. How do you account for a reduction of 100,000 between the two months?

Mr. FLETCHER. That is about the rate of reduction that we are experiencing now due to the demobilization and the percentage of men demobilized who are receiving allotments and allowances.

The CHAIRMAN. That would indicate a falling off of the work in that division?

Mr. FLETCHER. It would indicate it.

The CHAIRMAN. And, consequently, a reduction in the force.

Mr. FLETCHER. I was going to say that all of this demobilization makes extra paper work. The accounting at the end of the period makes extra work.

The CHAIRMAN. But that is only temporary, and when it is once closed you are through with it.

Mr. FLETCHER. I wish we could say that, but we have a good deal of trouble afterwards. We have as much work on what we call our dead files as we did on the live files.

#### EXPENDITURES TO BE MADE UNDER WAR-RISK ACT.

Mr. CANNON. If you can give me an intelligent guess, I would like to know what your expenditures will be under the war-risk act; first, for insurance, and then for every other purpose. I have the impression that when you pass on all these claims and adjudicate them, counting it all as pensions, it is going to cost five or six or seven hundred million dollars.

Mr. MACFARLANE. Take out the question of insurance first, sir.

Mr. CANNON. All right.

Mr. MACFARLANE. Under the act the premiums received from the soldiers are turned in to the military and naval insurance appropriation. The claims that have occurred, owing to the death of men in the service, have practically all been completed. They will amount to about \$900,000,000. Under the war-risk insurance act, as it now stands, we do not pay the amount of that claim in one lump sum, but it is extended over a period of 20 years. Therefore, the premiums will carry the payment of the claims for say two years; and, then, after that, the question of appropriations by Congress will come up. In the meantime, so far as the insurance is concerned, the premiums paid by the men will carry the payment of these claims so that the question of funds, as regards the military and naval insurance appropriation, does not come up at this time.

Mr. CANNON. I saw the statement in a newspaper that the aggregate of the insurance you are carrying is \$39,000,000,000; is that correct?

Mr. MACFARLANE. Yes, sir.

Mr. CANNON. How long does that run?

Mr. MACFARLANE. That is term insurance issued during the war time and can be kept for five years after the President declares peace. In the meantime and at any time before the end of that five-year period it can be converted into the regular life insurance and carried by the Government and similar to that which the companies issue, and then he will have a regular life insurance policy, but will not have the policy which he has now. That new insurance will probably be set aside and put in a separate fund, as it has got to maintain its own reserve and stand on its own legs.

Mr. CANNON. What I wanted to get first was the amount of insurance you are carrying, and that is \$39,000,000,000, and all those who are now living can continue that for five years.

Mr. MACFARLANE. Yes; in its present form. It can continue for all time if anybody wants to change it.

Mr. CANNON. So that looking ahead for five years, could you give an intelligent guess as to the total amount?

Mr. MACFARLANE. I do not think there is anyone who would guess how much of this insurance will be carried by the men when they get back into civil life.

Mr. CANNON. I should say that at the prevailing rates substantially all of it.

Mr. MACFARLANE. I fear not, sir.

Mr. CANNON. How much are you obligated to pay where there has been death?

Mr. MACFARLANE. The amount of our claims is \$900,000,000 and that \$900,000,000 is spread over the next 20 years.

Mr. CANNON. That has all been adjusted?

Mr. MACFARLANE. Yes, sir.

Mr. CANNON. I would like to have you furnish me with the best guess you can make as to compensation and all other obligations that the Government, under the law, must pay annually when things are adjusted. They will not be adjusted for a year or two years, and you will no doubt keep on adjusting. But what I want is an intelligent guess. I should guess, without knowing anything about it, that it will run from five to seven hundred million dollars, and that is the information I want, as nearly as you can give it to me.

Mr. SHOUSE. We will get the four gentlemen here together and try to give you a very comprehensive statement.

Mr. CANNON. Probably in the course of five or six days.

Mr. SHOUSE. Yes, sir.

Mr. CANNON. I would be very glad to have that estimate.

Mr. BYRNS. Have you made a statement as to what amount you secured from the President?

Mr. MACFARLANE. Yes; \$2,868,000.

Mr. BYRNS. Have you endeavored to secure from his fund any additional money in order to pay the checks which you say you are holding up for the present?

Mr. MACFARLANE. The \$2,868,000 was to pay salaries and expenses and no attempt was made to get any money to pay allowances.

Mr. BYRNS. As I understand, you are holding up checks for allowances?

Mr. MACFARLANE. Yes, sir.

Mr. BYRNS. Because you have not the money?

Mr. MACFARLANE. Yes, sir.

#### NATIONAL SECURITY AND DEFENSE FUND.

(See p. 5.)

Mr. BYRNS. Have you made an effort to get money from the President to pay those allowance checks?

Mr. SHOUSE. I can, perhaps, tell more about that than Mr. Macfarlane can. We advised the President by cable about the 20th of

March the situation in which the War Risk Bureau was as the result of the failure of the several appropriation bills: we told the President in that cable that after the 1st of May we would be without money to pay the allowances, and we again cabled the President calling his attention to that situation about the 1st of May. As a result the President called Congress in session, his fund being, as I understood, practically exhausted.

Mr. BYRNS. That is what I wanted to ask you. Do you know that it has been exhausted?

Mr. SHOUSE. Well, yes; I know the status of the President's fund. At the time he gave us this appropriation from his fund it consumed almost everything that was in his fund, and we could only get that from him by having other departments which had borrowed from him pay him the money, as he did not actually have the money, and the Treasury Department had to get the various departments that had borrowed from his fund to pay it in in order to permit him to make that appropriation.

#### GENERAL STATEMENT.

The CHAIRMAN. Have you any other estimate for deficiency? This \$39,000,000 covers the deficiency for this year?

Mr. MACFARLANE. For allowances.

Mr. SHOUSE. For allotments and allowances, and the amount that has been previously set forth to cover the salaries and expenses.

Mr. BYRNS. So, in all, you are asking for how much in this deficiency bill?

Mr. MACFARLANE. For allowances, \$39,615,000.

Mr. SHOUSE. And \$5,303,500 to cover the other expenses. That is on the basis of reimbursing the President's fund, but leaving that out of account it would be an addition of \$2,435,500, or a total of a little over \$42,000,000.

Mr. CANNON. That is to pay claims that have already been passed?

Mr. SHOUSE. That is to pay allotments and allowances, and to pay the expenses of the bureau up to June 30.

Mr. CANNON. The allotments and allowances are \$39,615,000?

Mr. SHOUSE. Yes, sir.

Mr. BYRNS. So you really need \$42,050,500?

Mr. MACFARLANE. Yes, sir.

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THURSDAY, MAY 22, 1919.

#### PENSION OFFICE.

STATEMENTS OF DR. F. D. BYINGTON, CHIEF CLERK; MR. GUY O. TAYLOR, DISBURSING CLERK; AND MR. ELMER E. MILLER, SUPERVISING CLERK.

#### PAYMENT OF ARMY AND NAVY PENSIONS.

The CHAIRMAN. You have an estimate for a deficiency in the Pension Bureau of \$3,000,000. What is the explanation of this deficiency?

Mr. TAYLOR. The first estimate made for the amount necessary for the payments during the fiscal year ending June 30, 1919, made before the passage of the act of October 6, 1917, was \$157,000,000, and after the passage of that act—

The CHAIRMAN (interposing). That was for the payment of pensions?

Mr. TAYLOR. That was for the payment of pensions, and after the passage of that act a second estimate was made for an additional amount of \$28,000,000, which made a total of \$185,000,000. After the final hearing on these estimates the act of June 10, 1918, was passed, that increased the rates of the pensions under the act of May 11, 1912. It was really an amendment to the act of May 11, 1912, and the estimate made by the Pension Bureau fixed the cost of the act of June 10, 1918, at \$40,000,000. Congress allowed \$35,000,000 at that time; when we were before the committee last January we believed that the appropriation of \$220,000,000 for the present year would be sufficient, as we had only expended \$109,000,000 during the first six months, that is, from June 30, 1918, to January 1, 1919. We were mistaken, however, as we found later that a great many claims under the act of October 6, 1917, the widows' pension act, were held back because of the fact that we thought that the veterans of the Civil War should receive first attention and claims under the act of May 11, 1912, as amended by the act of June 10, 1918, were pushed through; the amounts that accumulated under the act of October 6, 1917, became larger and larger, and the expenditures increased, as most of them have been paid during the last six months of the year.

The CHAIRMAN. How much was appropriated for the payment of pensions during this fiscal year?

Mr. TAYLOR. \$220,000,000.

The CHAIRMAN. How much have you paid out to date?

Mr. TAYLOR. The balance on April 30, 1919, was \$37,648,304. It is estimated that the expenditure for May will be \$20,000,000, leaving \$17,648,304, and it is estimated that the expenditure for June will be \$20,650,000, which leaves a deficiency of a little over \$3,000,000.

The CHAIRMAN. If this deficiency is not granted to what extent will you be crippled in sending out your pension checks?

Mr. TAYLOR. It will mean that after the 4th of June we will have to suspend payments.

The CHAIRMAN. What do your June payments amount to?

Mr. TAYLOR. It is estimated that the expenditures in June will be \$20,650,000 and we will have but \$17,648,304 with which to pay them. We have enough to take care of the regular quarterly payments, but the members of the soldiers' homes, which number about 15,000, to whom we pay about \$1,500,000 each three months, can not be paid, and then the claims that come in daily, the payments that are made each day, outside of the regularly quarterly payments, original payments, etc., would have to be suspended.

The CHAIRMAN. How many pensioners' checks will be held up on June 4 if this deficiency is not granted?

Mr. TAYLOR. Of the regular quarterly payments we think none—I want to change that statement a little bit. There will be all of those in the soldiers' homes, which number over 15,000, and the payments

in cases where the payments are made on vouchers. About how many of those would there be, Mr. Miller?

Mr. MILLER. Possibly three or four thousand.

The CHAIRMAN. In addition to the 15,000?

Mr. TAYLOR. Yes. Then there are the original cases, and we are paying such cases at the rate of probably two or three hundred a day. Altogether, about 25,000 payments would have to be suspended. If we do not get this money it will mean that we will have to suspend payments for almost a month and none of the payments to members of the soldiers' homes can be made.

Mr. MILLER. And none of the voucher payments can be made.

Mr. SLEMP. I can not understand why a deficit of \$3,000,000 would suspend payments for an entire month when the monthly expenditure amounts to \$20,000,000, of which you have \$17,000,000.

Mr. TAYLOR. There will be left only \$17,000,000, but we will expend, if we have the money, over \$20,000,000 during the month of June, so that accounts for the \$3,000,000 deficit.

Mr. BYRNES. At what time do you send out these checks?

Mr. TAYLOR. We send out checks daily, and we will send out checks on the 4th of June to the regular pensioners on the roll, those pensioners paid without vouchers.

Mr. BYRNES. And those payments amount to how much?

Mr. TAYLOR. The regular quarterly payment will amount to about \$17,000,000 in June.

Mr. BYRNES. On the 4th of June you will have sent out checks for \$17,000,000; is that right?

Mr. TAYLOR. Yes, sir.

Mr. BYRNES. You have a balance of how much?

Mr. TAYLOR. We will have an estimated balance of \$17,648,304.

Mr. BYRNES. Then, as a matter of fact, you could get by the 4th of June all right?

Mr. TAYLOR. Yes, I think so.

Mr. BYRNES. But the payments that must be met after the 4th of June you will be unable to meet unless you get this \$3,000,000?

Mr. TAYLOR. Yes, sir.

Mr. BYRNES. And those payments constitute the soldiers' homes members?

Mr. TAYLOR. Yes; and voucher cases.

Mr. BYRNES. And what else?

Mr. TAYLOR. And original payment cases.

Mr. SLEMP. Does any part of this money go to the payment of salaries or expenses?

Mr. TAYLOR. No; it is wholly for pensions.

Mr. CANNON. Will that amount be sufficient to pay up to and including the 30th of June?

Dr. BYINGTON. Yes, sir; it will carry us through all right.

Mr. CANNON. And if you do not get it there will be 15,000 people who can not be paid, to say nothing of the new claims that are allowed?

Mr. TAYLOR. Probably 20,000 or 25,000 people.

Mr. CANNON. That you can not pay?

Mr. TAYLOR. Yes, sir.

Mr. CANNON. And that represents payments to members in soldiers' homes?

Mr. TAYLOR. Yes, sir; and payments on original cases and payments paid with separate vouchers.

Mr. CANNON. What do you mean by separate vouchers?

Mr. TAYLOR. In certain cases the law requires that a voucher be filed by the pensioner, executed on the fourth day of the month, when it is due. The large majority of pensioners, however, are paid without such vouchers, checks being simply mailed to them, but where a pensioner has a guardian we require a voucher, and where half the pension is paid to the wife we require a voucher from the pensioner and wife.

Mr. CANNON. \$3,000,000 will take you up to the 30th of June?

Mr. TAYLOR. Yes, sir.

Mr. CANNON. And if you do not get it, after the 4th of June there will be 25,000 people who will not be paid?

Mr. TAYLOR. Yes; and who can not be paid until next year. We thought this matter was important enough to prepare a bill for you gentlemen. I do not know whether you wanted us to do that or not, but we thought the necessity so urgent that it better be separate from the general deficiency bill.

Mr. BYRNES. What is the necessity of having this amount of money by the 4th of June if \$17,600,000 will carry you to the 4th of June?

Mr. TAYLOR. It will carry us to the 4th of June, but not after the 4th of June.

Mr. BYRNES. It will enable you to meet payments on the 4th of June?

Mr. TAYLOR. Yes, sir.

Mr. CANNON. And you have just said you will not have enough to pay in 25,000 cases.

Mr. TAYLOR. That is after the 4th of June, from the 4th of June to the 30th of June we will have no money, and we usually pay out about \$3,000,000 during that period.

Mr. BYRNES. The nonvoucher cases which constitute, as I understand it, about 95 per cent of the cases, must be paid by the 4th of June?

Mr. TAYLOR. Yes, sir.

Mr. BYRNES. And you have enough money to do that?

Mr. TAYLOR. We have enough; yes.

Mr. BYRNES. But your voucher cases, which constitute your first-payment cases, your payments to widows with minors, and soldiers' home members, which will be due between the 4th of June and the 1st of July, and which will amount to \$3,000,000, you will be unable to pay unless you get this money?

Mr. TAYLOR. That is absolutely correct.









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